

Arizona Economy to Remain Strong in 2019

Arizona's economy is expected to improve through 2019. This outlook is largely supported by the state's continued population and job growth. Net migration into Arizona is expected to continue at a moderate pace. The state's comparative affordability is a significant draw for businesses and consumers alike, especially when compared with neighboring high-cost California. Although we expect Arizona's momentum to cool in time, especially as real estate conditions tighten, we forecast Arizona's real gross domestic product growth to remain above the U.S. average through 2019 and well into 2020. Mid-year population estimates recently released by the Census Bureau show Arizona's headcount at just under 7.2 million as of July 1, 2018, reflecting 122,770 new residents, or a 1.7 percent year-over-year increase. Only Texas, California, and Florida, the country's three most populous states, have added more people over the same period. While economic growth in Arizona has been strong in recent years, it has not come without its share of growing pains, particularly with regard to the state's strained educational system and infrastructure. To accommodate the influx of new arrivals to the state, Arizona has committed to improving many of its roadways, including nearly \$200 million over the next three years to significantly expand Interstate 17, the Phoenix metro area's primary north-south freeway. Along with the state's improving housing market, infrastructure projects like these will contribute to another year of strong construction activity and employment in Arizona, and add to overall job growth.

Arizona Economic Outlook

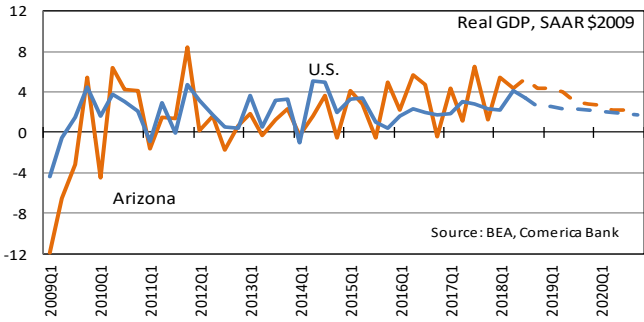
	2Q'18a	3Q'18a	4Q'18f	1Q'19f	2Q'19f	3Q'19f	4Q'19f	1Q'20f	2017a	2018f	2019f
State GDP											
Real GDP (Chained 2009 Millions \$)	307057	311092	314413	317765	320872	323309	325561	327695	297162	309116	321877
Percent Change Annualized	4.3	5.4	4.3	4.3	4.0	3.1	2.8	2.6	3.1	4.0	4.1
Labor and Demographics											
Payroll Jobs (Thousands)	2834	2863	2889	2911	2931	2947	2962	2976	2774	2849	2938
Percent Change Annualized	3.2	4.1	3.7	3.1	2.7	2.3	2.0	1.9	2.4	2.7	3.1
Unemployment Rate (Percent)	4.8	4.6	4.7	4.6	4.4	4.3	4.2	4.1	4.9	4.7	4.4
Population (Thousands)	7172	7215	7252	7289	7323	7357	7390	7424	7063	7194	7340
Percent Change Annualized	2.0	2.5	2.1	2.0	1.9	1.8	1.8	1.8	1.5	1.9	2.0
Net Migration (Thousands)	28.7	22.5	21.7	19.4	18.6	18.8	19.1	19.0	82.0	98.2	75.9
Personal Income											
Total Personal Income (Nom., Millions \$)	309002	313105	316999	320870	325065	329288	333373	337405	296649	311665	327149
Percent Change Annualized	1.9	5.4	5.1	5.0	5.3	5.3	5.1	4.9	5.6	5.1	5.0
Housing											
Housing Starts (Total, Ann. Rate)	40724	42977	41479	42116	42633	43027	43360	43657	38311	42147	42784
Percent Change Annualized	-22.5	24.0	-13.2	6.3	5.0	3.7	3.1	2.8	12.0	10.0	1.5
SF Housing Starts (# of Units, Ann Rate)	32130	34366	32715	33193	33601	33924	34189	34428	29178	32867	33727
MF Housing Starts (# of Units, Ann Rate)	8594	8612	8764	8923	9032	9102	9171	9229	9133	9281	9057
Existing Home Sales (Ths. of Units, Ann Rate)	168	165	169	172	174	177	179	181	167	170	176
House Prices, FHFA (1991 Q1=100, SA)	315	319	324	329	333	338	342	347	293	317	335
Year/Year Percent Change	8.3	7.1	7.1	6.0	5.9	6.0	5.7	5.5	8.7	8.1	5.9
Bankruptcies											
Total Business (12 Months Ending)	468	430	435	435	433	432	432	432	505	457	433
Total Personal (12 Months Ending)	15651	15826	15902	15885	15898	15928	15970	16013	15121	15714	15920

a = actual f = forecast

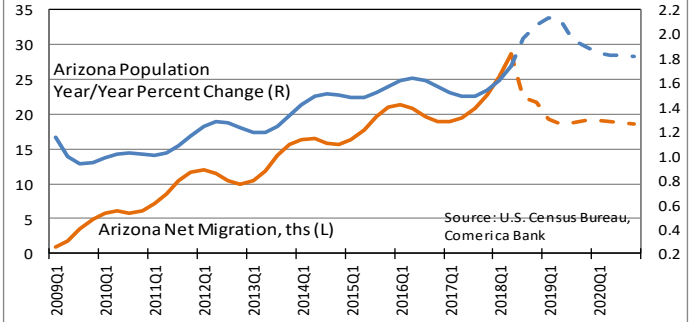
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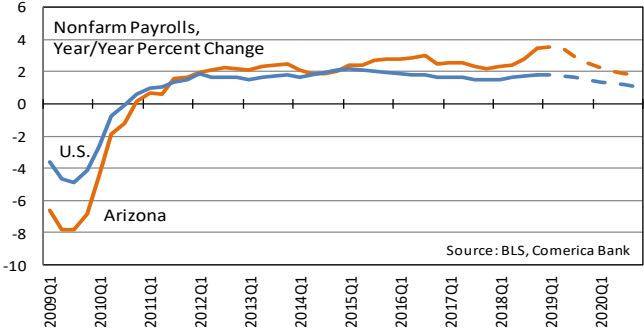
Arizona GDP Growth to Remain Strong



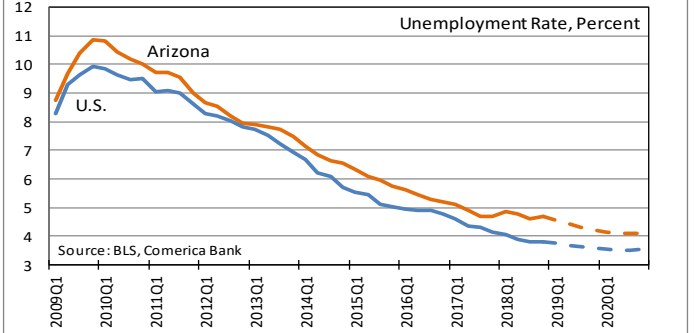
Strong Net Migration to Continue



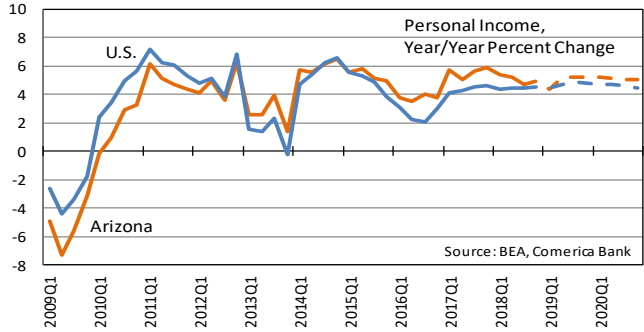
Job Growth Remains Steady



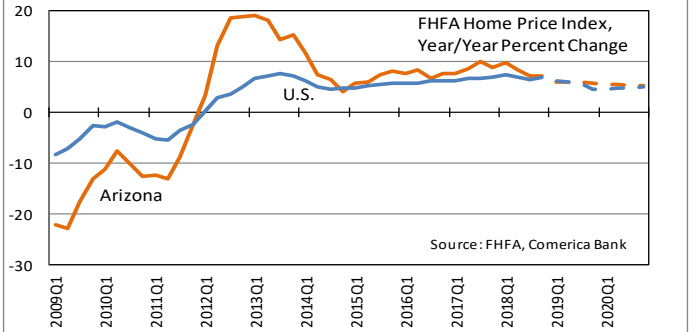
Arizona U. Rate at 4.8% in December



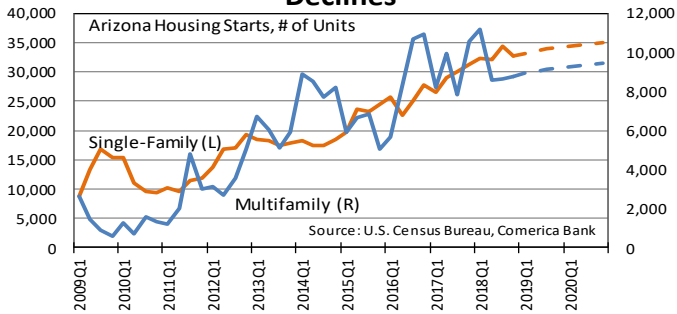
Rising Income Will Support Spending



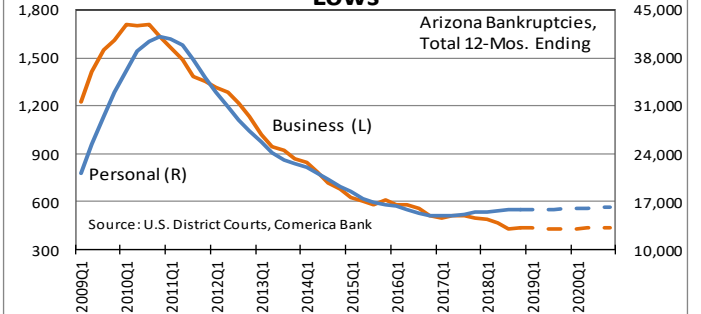
Home Price Growth Is Easing



Home Sales to Level Off as Affordability Declines



Business Bankruptcies Hitting Cyclical Lows



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